
A New Strategic Sourcing Policy?

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- **OMB Focused on A-76 to Achieve Efficiencies**
 - Pushing for Increase in A-76 Targets
 - Focus on FAIR Inventory Competitions
 - **Need to Consider Impact on Warfighting Mission**
 - **Need to Recognize All Past Efficiencies**
 - **A-76 Process is Inefficient**
 - Unable to Achieve Timely, Large-Scale Efficiencies
 - Causes Significant Personnel Turmoil
 - Impacts Mission Performance at Key Installations
 - Non-Core Functions Often Remain In-house
 - **Increased Taskings from *Enduring Freedom/Noble Eagle***
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RECOMMENDATIONS

- **Define Service/Agency *Core Competencies***
 - **Provide Dependable Warfighting Capability**
 - **Based on Criteria Approved by Senior Executive Council (SEC)**
- **Take Maximum Advantage of *Existing Alternatives to A-76***
- **Propose Legislation to *Remove Barriers to Further Efficiency***
- **DoD Policy to *Maximize All Efficiencies* (Not Just A-76)**
 - **Avoid Continued Arbitrary Quotas**

A New Policy Premise

***We shouldn't expend management energy
and resources on non-core functions***

NOT CORE OR WAR



CORE COMPETENCY

(What We Keep)



**...in a way that is Respectful of our Outstanding Workforce
and Focuses on Efficiencies**

■ Qualifiers

- Something Not a Core Competency is Still Important**
- Inherently Governmental is not Necessarily a Core Competency**
- Core Competency “Not Synonymous With” A Requirement**

■ Business Tree Analysis

- Consider**
 - Customer - CINC Employing Resources**
 - End Products - Military Effects**
 - Business Units - Units of a Component Command**
 - Core Services - Land, Sea, Air, Amphibious Operations**
 - Competencies - What we do Best**

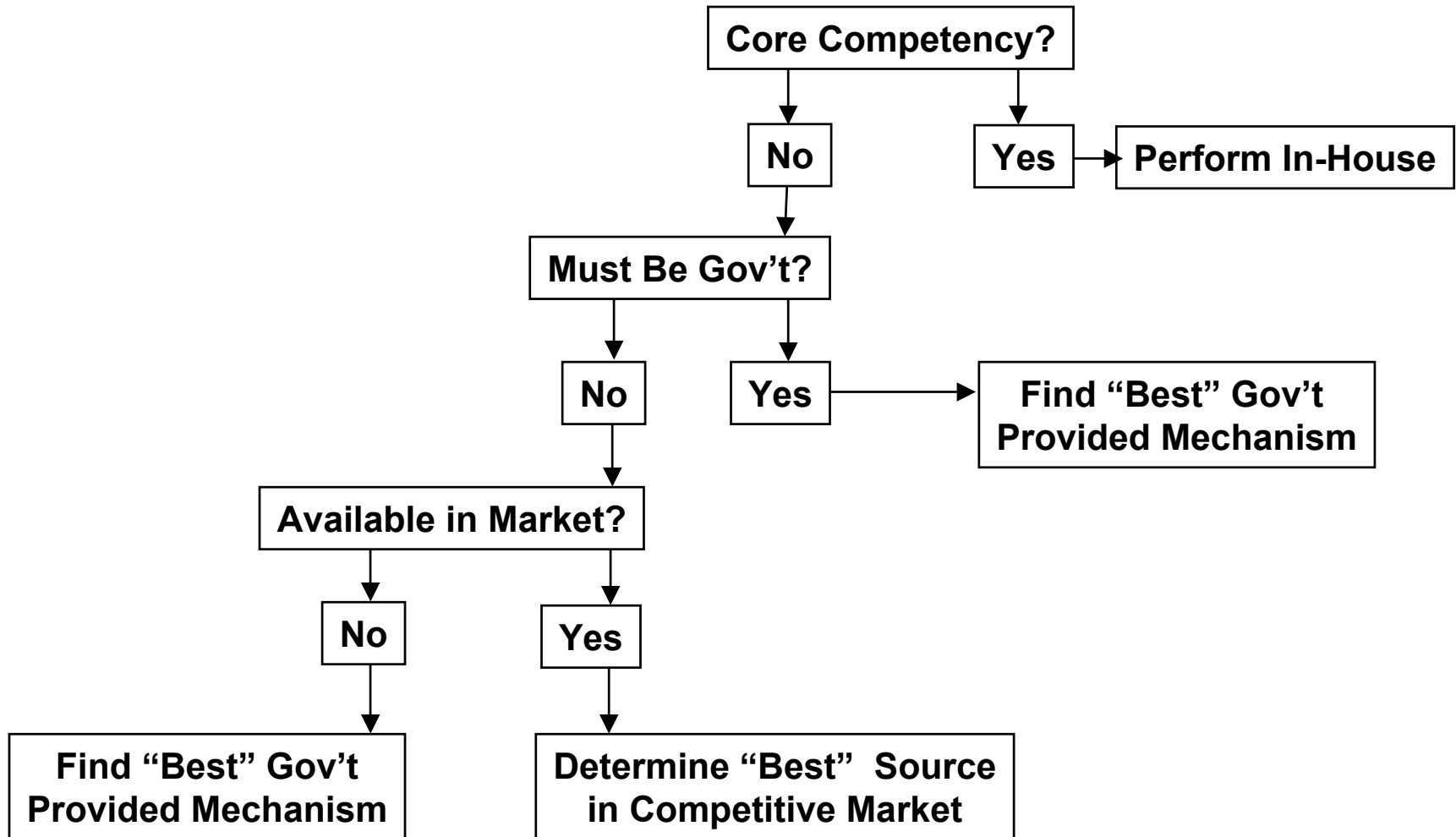
CORE COMPETENCIES

- **Better Approach--Base Sourcing on Core Competencies**
 - **Apply Appropriate Criteria to Determine Core Competencies**
 - **Similar to Approach Taken by Private Sector**

 - **General Officer/SES Executive Steering Group**
 - **Develop common criteria used to determine core competencies**
 - **Services Develop List of Core Competencies**
 - **Differences Among Services Can be OK**
 - **Final List Approved by SEC**

 - **Then...*Determine Best Provider for Non-Core Competency Functions***
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Decision Tree



ALTERNATIVES: WHAT WE CAN DO NOW

- **Examine Promising Approaches**
 - **Employee Stock Ownership Plans [\(ESOP\)](#)**
 - **Transitional Benefit Corporations [\(TBC\)](#)**
 - **Negotiate with Private Sector [\(NPS\)](#)**
 - **City-Base Partnership [\(CBP\)](#)**
 - **Convert to Non Appropriated Fund Instrumentality [\(NAFI\)](#)**

Legislative Issues

- **Legislation That Hinders Flexibility:**
 - **Limits to Conversion for Greater than 10 Civilians**
 - **Public Law 106-259 Sec 8014**
 - **Required Studies and Reports Before Conversion**
 - **10 USC Sec 2461**
 - **Depot Maintenance**
 - **10 USC Sec 2466 (50-50 Law)**
 - **10 USC Sec 2469 (Mandates Competition)**
 - **Fire Fighting and Security Force Limitations**
 - **10 USC 2465 and Annual NDAA's**

Potential Near Term Alternatives

- **Service Secretaries Have Expressed Desire to Cut-Back on A-76 Studies**
- **Careful Look at New A-76 Studies, but Continue to Generate Efficiencies in Other Ways--Pilot Programs**
 - **Where Possible, Apply Most Efficient Organization (MEO) Structures to Other Installations of Similar Mission**
 - **Grace Period Before These MEOs Become Eligible for Divestiture**
- **Phase Into “Core Competency -- Non-Core Competency”**

Summary

- **SEC Has Endorsed:**
 - **Alternative Policy Foundation**
 - **DoD Policy to Maximize all Efficiencies**
 - **Approach OMB with New Policy and Plan**
- **Executive Steering Group Define Criteria for Determining Core Competencies**
 - **Approved by SEC**
 - **Identification of Pilot Projects**
- **Propose Legislation to Remove Barriers**

QUESTIONS?

Employee Stock Ownership Plan (ESOP)

- **Concept: Mechanism used to spin off existing government activities to form an employee-owned company**
 - **Allocate Stock to Employees Over Time**
 - **Employees control their destiny**
 - **Provides Public Sector Employees a Stake in the Operation's Success**
- **Precedent: U.S. Investigative Services (USIS) (1995)**
 - **750 Employees in 7 locations -- \$70M Annual Gov't Svcs**
 - **3 Year Sole Source Contract with Two 1-Year Options**
 - **Has Grown to over 1800 Employees with Investigators in 163 locations**
- **Several Alternatives**
 - **Stand Alone ESOP**
 - **Partnership with Existing Institutions ESOP**

Transitional Benefit Corporations (TBCs)

- **Concept: Umbrella Organization Created to Facilitate Smooth Transition of Government Employees**
 - Promotes Transfer of Designated Government Assets to the Private Sector
 - TBC Contracts Directly with Existing Government Installations and New Business Units
 - Options to Preserve Federal Benefits even after Transition to Private Sector jobs

- **Precedent: Department of Energy**

- **Several Alternatives:**
 - Develop for Surge Capability
 - Develop for Entire Installation or Single Function

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Negotiations With Private Sector

- **Concept: Negotiated Transfer of Government Workforce to a Private Company**
 - **Laid off workers Who Elect to Work for Company Provided a Signing Bonus**
 - **Employees Guaranteed Similar Jobs at Same Location, with Comparable Pay, Benefits, Retirement Plans for 3 Years**
- **Precedent: - Army Logistics Data System (LOGMOD) Modernization with CSC Corporation**
 - **NSC Data System Modernization**

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City-Base Partnership

- **Concept: Transforming a military installation to city-owned property with military, public, non-profit, and commercial tenants occupying and leasing facilities**

- **Precedent:**
 - **Air Force will convey Brooks AFB to City of San Antonio and leaseback facilities for mission requirements**
 - **The City will contract with a third party to manage and develop Brooks property**

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Non Appropriated Fund Instrumentality (NAFI)

- **Concept: Transfer functions to NAFIs that “fit” the type functions historically performed by NAFIs -- NAFI Concessions generate funds that benefit other MWR and quality of life programs for our people**
 - **Navy Eyeglasses**

- **Precedent:**
 - **Concessionaires at the Exchange -- Fast Food, Jewelry, Barber, etc.**

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Gameplan for Divestiture

- **Develop Criteria for Determining Core Competencies**
- **Perform Business Case Analysis**
 - **Product is Definable and Measurable**
 - **Industrial Track Record--Capability, Capacity**
 - **Opportunity for Lower Cost/Better Value**
 - **Acceptable Risk to Ensure Continued Performance**
 - **Dependable Capability**
- **Explore Trial Case for Each Alternative**
- **Develop Marketing Plan**

Looming FY03 Active Military Manpower Bills

■ Unrealized A-76 Savings	623
■ Restore Mgt HQ Reduction for CAT Support	562
■ Restore MUNSS & Unit Undermanning	925
■ Outdated Requirements Computation	5,021
■ Projected DERF Force Structure	1,000
■ Stressed Career Fields (Active Part of 31K Total Force Requirement)	22,203
■ Tab P Requirements	7,276

DEPENDABLE WORKFORCE

- **Contractor Workforce NOT Prohibited from Striking Like Civil Service**
 - **Kirtland AFB 87 Day Strike: Special Ops SimTraining**
 - **Direct Impact on Combat Capability Prior to 11 Sep**
 - **Two Years to Recover Fully Lost Training**
 - **Other Warning Signs: UPT @ Vance AFB, C-130 Schoolhouse @ Little Rock AFB, etc.**
- **FAR Allows Strike as an Excusable Delay**
 - **Resolution in Times of National Emergency Not Enough**
- **Need Legislative Initiatives to Fix This ASAP**
 - **Continue Work During Binding Arbitration?**